

Loan Forgiveness for Public Service Employees

Through the College Cost Reduction and Access Act of 2007, Congress created the Loan Forgiveness for Public Service Employees Program. The new program provides for the cancellation of the remaining balance due on eligible federal student loans after the borrower has made 120 monthly payments on those loans under certain repayment plans while employed in certain public service fields. This fact sheet explains the provisions of the new program.

Effective Dates: Borrowers must have made 120 monthly payments after October 1, 2007 in the William D. Ford Federal Direct Loan (Direct Loan) Program. Therefore, the first cancellations of loan balances will not be granted until October 2017 at the earliest.

Eligible Loans: Any non-defaulted loan made under the Direct Loan Program. See below for information on how borrowers of loans made under other federal student loan programs may qualify. The Direct Loan Program includes the following types of loans –

- Federal Direct Stafford/Ford Loans (Direct Subsidized Loans)
- Federal Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans)
- Federal Direct PLUS Loans (Direct PLUS Loans) – for parents and graduate/professional students
- Federal Direct Consolidation Loans (Direct Consolidation Loans)

Eligibility of Other Federal Loans: Although loan cancellation is only available for loans made and repaid under the Direct Loan Program, borrowers with loans made under other federal student loan programs may be eligible if they consolidate those loans into the Direct Loan Program. However, only payments made on the Direct Consolidation Loan will count toward the required 120 monthly payments. Loans that are eligible for consolidation into the Direct Loan Program include –

- Federal Family Education Loan (FFEL) Program, which includes:
 - FFEL Subsidized Stafford Loans
 - FFEL Unsubsidized Stafford Loans
 - FFEL PLUS Loans
 - FFEL Consolidation Loans (except FFEL joint spousal consolidation loans)
- Federal Perkins Loans
- Certain Health Professions and Nursing Loans

NOTE: Borrowers may have to meet additional eligibility requirements to consolidate these loans into a Direct Consolidation Loan. If you are unsure about what kind of loans you have consult the National Student Loan Data System at <http://nslds.ed.gov>.

Eligibility Requirements – Repayment Plans: To be eligible to have remaining balances cancelled, the borrower must not be in default on the eligible loans and must –

- Have made 120 monthly payments on the eligible loan(s) beginning after October 1, 2007. Earlier payments do not count toward meeting this requirement. Payments must have been made under any one or a combination of the following Direct Loan Program repayment plans –
 - Standard Repayment Plan with a 10-year repayment period.
 - Income Contingent Repayment (ICR) Plan – not available to parent Direct PLUS loan borrowers.
 - Income Based Repayment (IBR) Plan – not available to parent Direct PLUS loan borrowers.
 - Other Direct Loan repayment plans, but only payments that are at least equal to the amount that would be required under the 10-year Standard Repayment Plan may be counted toward the required 120 payments.

For more information about the repayment plans available in the Direct Loan program, please visit: www.ed.gov/DirectLoan on the web.

Eligibility Requirements – Employment in a Public Service Job: To be eligible to have remaining balances cancelled, the borrower must –

- Have been employed in a public service job during the period in which the borrower made each of the 120 monthly payments and;
- Must be employed in a public service job at the time of loan forgiveness.

NOTE: *In the case of a parent PLUS loan, the qualifying public service employee is the parent, not the student on whose behalf the loan was received.*

Public Service Jobs: Eligible public service jobs are full-time jobs in the following fields:

- Emergency management
- Government
- Military service
- Public safety
- Law enforcement
- Public health
- Public education (including early childhood education)
- Social work in a public child or family service agency
- Public child care
- Public service for individuals with disabilities
- Public interest law services (including prosecution or public defense or legal advocacy in low income communities at a nonprofit organization)
- Public service for the elderly
- Public library sciences
- School-based library sciences and other school-based services
- Certain tax-exempt organizations
- Faculty teaching in high-needs areas, as determined by the Secretary
- Full-time faculty member at a Tribal College or University

Additional Guidance and Implementing Regulations: The Department of Education will publish regulations to implement the Loan Forgiveness for Public Service Employees Program after providing an opportunity for public comment in accordance with legal requirements. Those regulations will be issued by November 2008.

CAUTION: In general, only borrowers who are making reduced monthly payments through the Direct Loan income-contingent or income-based repayment plans will have a remaining balance after making 120 payments on a loan. In other words, only borrowers with a high debt-to-income ratio or consistently very low income will qualify for loan forgiveness under the Loan Forgiveness for Public Service Employees Program.

Disclaimer: *This is a preliminary summary of the Loan Forgiveness for Public Service Employees Program based on the College Cost Reduction and Access Act of 2007. The information is subject to change and is not binding on the Department.*

Information provided by the following website:

<http://www.ombudsman.ed.gov/>